

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
6-20-14
04:59 PM

Order Instituting Rulemaking to Adopt
Biomethane Standards and
Requirements, Pipeline Open Access
Rules, and Related Enforcement
Provisions

Rulemaking 13-02-008
(Filed on February 13, 2013)

**COMMENTS OF
THE OFFICE OF RATEPAYER ADVOCATES**

JONATHAN A. BROMSON

Attorney for the
Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2362
Email: jonathan.bromson@cpuc.ca.gov

June 20, 2014

MATTHEW A. KARLE

Regulatory Analyst
Office Of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-1850
Email: matthew.karle@cpuc.ca.gov

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Adopt
Biomethane Standards and
Requirements, Pipeline Open Access
Rules, and Related Enforcement
Provisions

Rulemaking 13-02-008
(Filed on February 13, 2013)

**COMMENTS OF
THE OFFICE OF RATEPAYER ADVOCATES**

I. INTRODUCTION

In accordance with the April 9, 2014 Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Amended Scoping Memo), and Rule 6.2 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) hereby files the following Comments in the above captioned proceeding.¹ The Amended Scoping Memo identified and called for Comments and Reply Comments on the following issues relating to cost allocation to be resolved in this phase of the Proceeding:

1. What costs are associated with the testing, monitoring, reporting, and recordkeeping requirements as adopted by D.14-01-034? Are these one-time or ongoing costs?
2. How do these costs compare to the total start-up and operational costs, as appropriate, of the biogas production facility?
3. Should the biogas supplier, biomethane producer or supplier, the gas utility or other entity or person bear particular costs and why? And

¹ ORA initially distributed these Opening Comments on May 23, 2014 to the official email service list in this docket, and today is filing a Motion to Accept Late-Filed Comments.

4. Are there any other costs that should be considered, and the reasoning why those particular costs should be resolved by the Commission?

II. ISSUES

A. **Gas Producers Should Continue to Bear all Costs Related to Upgrading and Interconnection, Which are Passed on to the Purchasers of Biomethane**

The Amended Scoping Memo at 4 states that “the issue of who should bear cost responsibility for meeting the standards and requirements of injecting biomethane to the utilities’ gas pipeline systems is a policy question to be addressed by the Commission.” ORA agrees that cost allocation is an issue of regulatory policy. Currently, gas producers bear the costs of gas processing and interconnection. This has been the case since the national deregulation of gas prices in the Natural Gas Wellhead Decontrol Act of 1989,² and the addition of another natural gas source does not alter the existing national regulatory policy framework.

AB 1900³ mandated that California gas IOUs allow pipeline injection of biomethane and set out a process for defining the standards such biomethane would have to meet before being injected into a common carrier pipeline. Those standards were set out in D.14-01-134. The current phase of the proceeding is dealing only with the costs relating to pipeline injection, interconnection, and the associated testing as identified in D.14-01-134. While California has jurisdiction over the costs of intrastate transportation of natural gas, it lacks jurisdiction to regulate the costs of gas production and transportation to the transportation system.

The May 2, 2013 scoping memo and ruling at 8 also ruled that “the issue of any subsidy of the cost of complying with the Commission-adopted standards and requirements for biomethane should be addressed” in Rulemaking (R.) 11-05-005, where the Commission is addressing the policies and rules for procurement from renewable energy resources. While there can be societal benefits associated with the promotion of

² Pub. Law 101-60, adding § 121 to 15 U.S.C. § 3331, the Natural Gas Policy Act of 1978.

³ Chapter 602, Statutes of 2012, adding Health and Safety Code Section § 25421.

biogas and biomethane, they do not accrue specifically to gas ratepayers, and ratepayers should not bear the upfront costs associated with processing biomethane. The State of California has in place already market based solutions to pricing carbon which should have the effect of making biomethane production more economical over time, without requiring the active intervention of the Commission on behalf of biomethane producers prior to the introduction of gas to the transportation system. Even today, to the extent that biomethane gas provides benefits to specific customers such as electric generators whose use of biomethane can help achieve other policy or environmental goals, those customers have incentives to pay more for biomethane than for fossil natural gas.

The cost of natural gas has been deregulated nationally for a quarter-century. All other natural gas producers bear the gas production costs, and the costs of interconnection to the natural gas transportation system. The existing model is appropriate for biomethane producers. Costs to produce biomethane should be borne exclusively by the producers of the gas, as is current practice with fossil gas. This will create a level playing field for both fossil and non-fossil gas producers. Producers will have the opportunity to pass on such costs to the ultimate customers of biomethane. Those customers that specifically purchase biomethane compensate the biomethane producers for their costs in bringing biomethane to market via the natural gas transportation system.

ORA supports the existing regulatory framework for costs relating to pipeline injection of biomethane. This proceeding is not the appropriate venue in which to approach issues related to promoting or subsidizing biomethane. That issue is best handled holistically with other renewables in the R.11-05-005 RPS proceeding.

Respectfully submitted,

/s/ JONATHAN A. BROMSON

JONATHAN A. BROMSON
Principal Counsel

Attorney for the Office of
Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102
Phone: (415) 703-2362
Fax: (415) 703-4592
E-Mail: jab@cpuc.ca.gov

June 20, 2014